THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) With a view to outline a comprehensive agenda for the evolution of the financial sector indicating especially the priorities and sequencing decision which the Government may keep in mind, Planning Commission had set up a High Level Committee on Financial Sector Reforms headed by Shri Raghuram G. Rajan. On a proposal to sell small under-performing public sector banks, possibly to another bank or to a strategic investor, to gain experience with the process and gauge outcomes, the Committee has, in its draft report, opined as under:—

"For the largest PSBs, the options are more limited. The selling of large PSBs to large private sector banks would raise issues of concentration. The selling of banks to industrial houses has been problematic across the world from the perspective of financial stability because of the propensity of the houses to milk banks for "self-loans". Without a substantial improvement in the ability of the Indian system to curb related-party transactions, and to close down failing banks, this could be a recipe for financial disaster. While large international banks could swallow our largest banks, it is unlikely that this would be politically acceptable, at least in the foreseeable future. That leaves a sale through a public offering. But such a sale would require confidence in the corporate governance of these enterprises so that a high price can be realized. This Committee therefore believes that the second aspect of the pragmatic approach, especially for large and better performing public sector banks, should be to focus on reforming the governance structure, while perhaps also acquiring strategic partners, with the eventual disposition determined based on experience with privatization, the public mood, and the political environment".

The draft report is available at Planning Commission website *www.planningcommission.nic.in.*

(c) and (d) There is no proposal to sell Government's stake in any public sector bank. As regards consolidation, Government is of the view that any such proposal by way of merger etc., of one public sector bank with another public sector bank, should emanate from the concerned banks with Government playing a supportive role.

Moderation in economy

4185. SHRI JESUDASU SEELAM: Will the Minister of FINANCE be pleased to state:

(a) whether there has been a sign of moderation in growth during the current and the next fiscal as per the latest estimates released by the Prime Minister's Advisory Council;

(b) if so, whether it is estimated that the economy would grow by 8.8 per cent this year compared to 9.4 per cent during 2006-07 and is projected to see output rise by 8.5 per cent next calendar and financial year; and

(c) if so, what are the main reasons for slow down of economic growth and what are the steps being taken to improve the position?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) As per the 'Review of the Economy 2007-08', by the Economic Advisory Council to the Prime Minister, the growth rate of the Gross Domestic Product (GDP) at factor cost at constant prices for 2007-08 is expected to get moderated marginally to 8.9 per cent from a level of 9 per cent estimated earlier. The GDP is estimated to grow at 8.5 per cent in 2008-09.

(c) The reasons for the mild slowdown is *inter-alia* attributed to lower than expected expansion in manufacturing output and lower growth in the output of energy utilities, which has been partially offset by better than expected expansion in the farm sector. The Government has taken various fiscal, monetary and administrative measures to maintain the momentum of growth with price stability. These measures include minimal pass through of international prices of crude oil to domestic consumers, reduction in general CENVAT rate, rejuvenation of agriculture under the National Food Security Mission and Rashtriya Krishi Vikas Yojana.The Government has also increased the allocation for infrastructure programmes in the Budget 2008-09, which will help in addressing some of the supply side constraints towards sustaining growth.

Different inflation rates in urban and rural areas

†4186. SHRI BANWARI LAL KANCHHAL: Will the Minister of FINANCE be pleased to state:

(a) whether Government is aware that there is difference in inflation rates in the urban and rural areas;

(b) whether the rate of inflation based on Wholesale Price Index is 6.28 per cent and it is 9.44 per cent for agricultural and rural labourers as per the figures of the year 2007-08;

(c) whether it is a fact that urban inflation rate is 7 per cent at present and agricultural rural inflation rate is 10 per cent;

(d) whether the norms for conducting the survey of inflation by Government, assuming that almost 600 villages of the rural areas as basis is proper;

(e) whether any measures would be taken by Government to remove the difference of inflation between urban and rural area;

(f) if so, by when; and

(g) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) to (g) The rate of inflation depicted by different index numbers would be different due to difference in the consumption pattern of the target population, scope and coverage, base prices, current prices and other structural differences. There is at present no separate series for rural and urban areas as such. The CPI(IW), CPI(UNME) are generally urban oriented whereas the CPI-AL/RL are rural centric. Year on year inflation based on price indices is indicated in table below:

Year-on-Year Inflation for 2007-08 (in per cent)

	WPI	CPI(IW)	CPI(UNME)	CPI(AL)	CPI(RL)
1	2	3	4	5	6
BASE:->	93-94	1982	84-85	86-87	86-88
Apr.	6.28	6.67	7.74	9.44	9.12
May	5.46	6.61	6.79	8.22	7.90
Jun.	4.53	5.69	6.08	7.84	7.53

† Original notice of the question was received in Hindi.